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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

Elizabeth J. Kelsey,

Respondent

SDO - 27 - 01

SUMMARY ORDER TO CEASE AND DESIST  
Case No. 99-10-320

THE STATE OF WASHINGTON TO: Elizabeth J. Kelsey  
2108 Madrona Pt Dr NE  
Bremerton, WA 98312

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Elizabeth J. Kelsey, has violated the Securities Act of Washington and that her violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I.**

In 1998, Elizabeth J. Kelsey was employed in the Seattle, Washington office of Park Avenue Securities LLC run by her father, Albert H. Kelsey, a registered securities salesperson. Elizabeth J. Kelsey was a registered insurance salesperson but not a registered securities salesperson.

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II.

Sale of mutual fund shares to Seattle resident

In the late spring of 1998, Elizabeth J. Kelsey began urging one of her insurance clients, a Seattle resident, to invest in the Guardian Park Avenue mutual fund. Elizabeth J. Kelsey told the Seattle resident that if she invested in the Guardian Park Avenue fund she would never lose money and would be able to retire on the investment. Elizabeth J. Kelsey did not explain that she was not an authorized agent of Guardian Park Avenue Fund. Beginning in July 1998 and continuing through August 1999, the Seattle resident delivered to Elizabeth J. Kelsey a series of 11 personal checks payable to Guardian Park Ave Fund, The Guardian, or Guardian totaling \$50,300. The checks were to open an account for the Seattle resident at the Guardian Park Avenue Fund. Instead of remitting the checks to the Guardian Park Avenue Fund, Elizabeth J. Kelsey altered the checks to insert her own name on the payee line of the checks and then negotiated the checks, depositing them to her personal bank account. Elizabeth J. Kelsey used the funds from the checks for her own purposes. She did not purchase or arrange for purchase of shares in Guardian Park Avenue Fund for the Seattle resident. However, Elizabeth J. Kelsey caused account statements, purportedly from Guardian Park Avenue Fund of 201 Park Avenue, New York, New York, for the Seattle resident's account to be delivered to the Seattle resident on three occasions between September 1998 through March 1999. The statements purported to show the current value of accounts for the Seattle resident and her two children. In October 1999, Elizabeth J. Kelsey sent the Seattle resident two additional statements, each bearing the heading "At Home Funds, Inc." stating that the value of account was \$142,976.21 as of September 28, 1999 and referring to a contract retirement date of July 31, 2000 at which time the contract could be rolled over or surrendered. The Seattle resident had never heard of At Home Funds, Inc. The Washington Secretary of State's office has no record of any corporation of that name formed in Washington or authorized to do business in Washington. The Seattle resident contacted the Guardian Park Avenue Fund and learned that she had no account there. Elizabeth J. Kelsey made threats against the Seattle resident in an attempt to deter her from revealing Elizabeth J. Kelsey's defalcations.

Solicitations of and sales to other persons

1 Elizabeth J. Kelsey solicited other Washington residents to invest in mutual funds through her. At least  
2 two other Washington residents gave Elizabeth J. Kelsey checks made out to Guardian. Elizabeth Kelsey's  
3 name was inserted after the word "Guardian" on the check at some point before the checks were negotiated.  
4 Elizabeth J. Kelsey deposited the checks, totaling \$19,500 to her personal bank account. One of these checks  
5 was for \$12,000 and was labeled "IRA Rollover". The other checks came from a Washington resident who  
6 received purported account statements from three mutual funds including Guardian Stock Fund showing the  
7 value of his account as of three dates from June 1998 through November 1998. The statements show Kelsey as  
8 agent for the account. These statements are very similar to those received by the Seattle resident as described  
9 above. They, like those other statements, appeared to have been prepared on a personal computer. The  
10 recipient of the statements subsequently inquired about his account to Guardian and learned that he had no  
11 account.

12 In 1997, Elizabeth J. Kelsey accepted a \$10,000 check from an out of state customer to be invested as  
13 follows: \$5,000 in the Guardian mutual fund and \$5,000 in a Guardian annuity. The check was made payable to  
14 Guardian Fund. Elizabeth J. Kelsey negotiated the check and did not remit the proceeds to the Guardian.

15 III.

16 Elizabeth J. Kelsey is not currently registered as a securities salesperson or broker-dealer in the state of  
17 Washington and has not previously been so registered.

18 IV.

19 The Securities Administrator finds that Elizabeth J. Kelsey's unauthorized sales of mutual fund shares, her  
20 conversion of customer funds, and her false and misleading statements to customers in connection with mutual  
21 fund purchases as described in Tentative Finding of Fact II presents a threat to the investing public.

22 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:  
23

24 SUMMARY ORDER TO CEASE AND  
25 DESIST

CONCLUSIONS OF LAW

I.

The offer and/or sale of mutual fund shares described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

II.

The offer and/or sale of said securities is in violation of RCW 21.20.010 because offeree/purchasers were misled as to the use of their funds and with what investment firm those funds would be invested.

III.

Elizabeth J. Kelsey has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

IV.

The Securities Administrator finds that an emergency exists, that the continued violations of RCW 21.20.010 and RCW 21.20.040 constitutes a threat to the investing public, and that a summary order to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That Elizabeth J. Kelsey cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further SUMMARILY ORDERED that Elizabeth J. Kelsey cease and desist from violation of RCW 21.20.040, the section of the Securities Act of Washington requiring registration.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. The respondent, Elizabeth J. Kelsey, may make a written request for a hearing as set

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forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING

accompanying this order.

If respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the summary order to cease and desist permanent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this 19th day of April 2001.



DEBORAH R. BORTNER  
Securities Administrator

Approved By:

Presented by:

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Michael E. Stevenson  
Chief of Compliance

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Suzanne Sarason  
Senior Enforcement Attorney

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